

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2508
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

EP/EO

Date:

SEP 17 1985

*Protest Rec'd
10-31-86*

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1954 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, 'Exempt Organizations Appeal Procedures for Unagreed Issues'. The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,

[Redacted Signature]

District Director

Enclosures: 3

9/9/86

9/10/86

[Redacted]

Enclosure I

The information submitted shows that you were incorporated on [REDACTED] as a nonprofit corporation in the State of [REDACTED]. Your purpose as set forth in Article II is as follows:

To foster the overall improvement of business conditions in the [REDACTED] and [REDACTED] area by efficiently facilitating the opportunity for investment of venture or risk capital in new and emerging businesses. To accomplish this purpose the corporation may (1) solicit, compile and profile information describing opportunities for venture or risk capital investment; (2) identify active, informal investors and profile their distinguishing investment objectives; and (3) provide a timely, confidential, and objective referral system servicing both entrepreneurs and investors (without, however, assuming a fiduciary, advisory or evaluative function in any such referral).

Your application states that you propose to use a computer matching process to match investment characteristics of applicant-investors with investment needs of applicant-entrepreneurs. You will develop a data base of applicant-investors by informal one-to-one and selective mailing communications. Your service will be publicized to potential entrepreneurs by press releases and advertisements in select publications.

Your application further states that you are organized on a directorship basis without members. Your directors consist of the Director of Financial Resource Development for [REDACTED]; one member in good standing of the [REDACTED] Area Chamber of Commerce, designated by the Board of Directors of the [REDACTED] Area Chamber of Commerce; and a respected member of the [REDACTED] private sector business community, who is not a public official, designated by [REDACTED].

You expect to be supported by grants from [REDACTED] and [REDACTED]. In addition, entrepreneurs who use your computer matching service will be required to pay \$[REDACTED] to [REDACTED] as a fee for admission to the [REDACTED] Seminar, which is required in order to use the computer matching service. The seminar will be offered by [REDACTED].

Enclosure I (continued)

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, real-estate boards, boards of trade or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Section 1.501(c)(6)-1 of the Regulations further states that an association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated.

Based on available information, it is our opinion that you do not qualify for exemption under section 501(c)(6) of the Code because you are not an association of persons having a common business interest and your computer matching service and referral system constitute the performance of particular services for individual persons.